KANSAS CITY SOUTHERN INDUSTRIES INC
Form 8-K
February 07, 2002

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):
January 31, 2002

KANSAS CITY SOUTHERN INDUSTRIES, INC.
(Exact name of company as specified in its charter)

DELAWARE 1-4717 44-0663509
(State or other jurisdiction (Commission file (IRS Employer
of incorporation) number) Identification Number)

114 West 11th Street, Kansas City, Missouri 64105
(Address of principal executive offices) (Zip Code)

Company's telephone number, including area code:
(816) 983 - 1303

Not Applicable
(Former name or former address if changed since last report)

Item 7. Financial Statements and Exhibits

(c) Exhibits

Exhibit No.	Document
(99)	Additional Exhibits
99.1	Press Release issued by Kansas City Southern Industries, Inc. dated January 31, 2002 entitled, "Kansas City Southern Industries Reports Improved Fourth Quarter

	and Year to Date Earnings", is attached hereto as Exhibit 99.1
99.2	The following schedules are attached hereto as Exhibit 99.2 - Kansas City Southern Railway Operating Statements, Kansas City Southern Railway Carloadings by Commodity, Kansas City Southern Industries, Inc. Consolidated Balance Sheets and Kansas City Southern Industries, Inc. Statement of Cash Flows

Item 9. Regulation FD Disclosure

Kansas City Southern Industries, Inc. ("KCSI" or "Company") is furnishing under Item 9 of this Current Report on Form 8-K the information included as Exhibit 99.1 and Exhibit 99.2 of this report. Exhibit 99.1 is the Company's press release, dated January 31, 2001, announcing KCSI's fourth quarter and year to date 2001 operating results. Included in Exhibit 99.2 are schedules regarding certain financial information discussed at the Company's fourth quarter 2001 conference call.

The information included in this Current Report on Form 8-K, including Exhibit 99.1 and Exhibit 99.2, is furnished pursuant to Item 9 and shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Section.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

Kansas City Southern Industries, Inc.

Date: February 7, 2002

By: /s/ Louis G. Van Horn

Louis G. Van Horn
Vice President and Comptroller
(Principal Accounting Officer)

EXHIBIT 99.1

Date January 31, 2002

Kansas City Southern

Media Contact: William Galligan 816-983-1551

Industries, Inc. william.h.galligan@kcsr.com
114 West 11th Street
Kansas City, MO 64105 NYSE Symbol: KSU

Kansas City Southern Industries Reports Improved
Fourth Quarter and Year to Date Earnings

EARNINGS ANALYSIS AND COMMENTARY

KCSI reported fourth quarter 2001 income from continuing operations of $11.1 million (18(cent) per diluted share) compared to $3.6 million (6(cent) per diluted share) in the fourth quarter of 2000. This $7.5 million (208%) quarter to quarter increase resulted primarily from an improvement in domestic operating income of $13.5 million, a $2.2 million increase in equity earnings (based upon preliminary information) from Grupo Transportacion Ferroviaria Mexicana, S.A. de C.V. ("Grupo TFM") and a decline in interest expense of $1.7 million. These improvements were partially offset by a $9.8 million increase in the income tax provision. KCSI's consolidated fourth quarter 2001 revenue increased $10.7 million and operating expenses declined $2.8 million compared to the fourth quarter of 2000, resulting in the $13.5 million improvement in operating income.

For the year ended December 31, 2001, income from continuing operations was $31.1 million (51(cent) per diluted share) compared to $25.4 million (43(cent) per diluted share) for the year ended December 31, 2000. This $5.7 million period to period increase was primarily due to a $6.9 million increase in equity earnings from Grupo TFM and a $13.0 million decrease in interest expense partially offset by a $2.4 million decrease in domestic operating income, a $3.6 million decrease in equity earnings from other unconsolidated affiliates and a $6.4 million increase in the income tax provision. Equity earnings for the year ended December 31, 2001 reflect the Company's proportionate share ($9.1 million) of the income recorded by Grupo TFM relating to the reversion of certain concession assets to the Mexican government.

As previously announced, NAFTA Rail, a wholly-owned Mexican subsidiary of KCSI, filed an action in a Mexican court challenging, among other items, a resolution purportedly approved by the shareholders of Grupo TFM ordering the payment of a dividend to the shareholders of Grupo TFM. The CEO's of both KCSI and Grupo TMM, S.A. de C.V. ("Grupo TMM") have met and are currently working to settle the issues surrounding the litigation and KCSI hopes to resolve these matters prior to the filing of the Company's Form 10-K for the year ended December 31, 2001. NAFTA Rail has not received this dividend. If, however, the dividend is determined to be a 2001 transaction at the time of KCSI's filing of its Form 10-K, or if these matters are resolved unfavorably to KCSI, the Company will record a $6.7 million charge (11(cent) per diluted share) for the fourth quarter and year ended December 31, 2001. This charge would represent the Company's proportionate decline in its investment in Grupo TFM arising from the accounting for a tax recorded by Grupo TFM as a result of the dividend. This charge is not reflected in the attached financial information.

DILUTED EARNINGS PER SHARE AND COMMON SHARES COMPARISONS (1)

	Fourth Quarter		Year to Date	
	2001	2000	2001	2000

Income from continuing operations:				
U.S. operations	$ 0.16	$ 0.10	$ 0.33	$ 0.41
Grupo TFM and PCRC (including associated interest)	0.02	(0.04)	0.18	0.02
Income from continuing operations	0.18	0.06	0.51	0.43
Extraordinary debt retirement costs, net of income tax	-	-	-	(0.15)
Cumulative effect of accounting change, net of income tax(2)	-	-	(0.01)	-
Total diluted earnings per share from continuing operations, adjusted for the extraordinary items and cumulative effect of accounting change	$ 0.18	$ 0.06	$ 0.50	$ 0.28
Common Shares Outstanding (thousands):				
Weighted Average Diluted	61,099	59,839	60,984	58,390
Actual	59,243	58,147	59,243	58,147

(1) Earnings per share and common share information for each period presented reflect a one-for-two reverse stock split that occurred on July 12, 2000 in conjunction with the spin-off of Stilwell Financial Inc., the Company's formerly owned financial services segment.

(2) Reflects the adoption of Statement of Financial Accounting Standard No. 133, Accounting for Derivative Instruments and Hedging Activities.

FOURTH QUARTER

KCSI is comprised of, among others, The Kansas City Southern Railway Company ("KCSR") and equity investments in Grupo TFM, Mexrail, Inc. ("Mexrail"), Southern Capital Corporation ("Southern Capital") and Panama Canal Railway Company ("PCRC"). Effective October 1, 2001, Gateway Western Railway Company ("Gateway Western") was merged into KCSR. Discussions of KCSR herein include consideration of the operations and operating results of Gateway Western.

KCSI's consolidated fourth quarter 2001 revenues totaled $145.5 million compared to $134.8 million in the fourth quarter of 2000. This 8% increase resulted from higher KCSR revenues, which increased $11.1 million to $143.4 million, partially offset by a slight decrease in revenues from certain other subsidiaries. KCSR revenue growth was driven primarily by strength in coal revenues, which improved $9.1 million (40%) quarter to quarter. Net tons of coal shipped increased approximately 35% quarter to quarter due to demand driven increases at certain utility plants compared to the prior year fourth quarter resulting from higher than usual deliveries to replenish stockpiles and to satisfy weather-related demands. Additionally, a coal-burning utility plant that had been out of service since January 1999 began taking shipments in the second quarter of 2001. Quarter to quarter revenue increases also occurred for paper products, export grain, certain chemical and plastics products and military shipments. These improvements were partially offset by quarter to quarter revenue declines for domestic grain, food products, ore and mineral products, steel and scrap metal shipments and intermodal products, primarily reflecting the existing slow economic conditions. Quarter to quarter revenues increased 3% for all non-coal commodity groups on a combined basis.

KCSI's consolidated costs and expenses declined $2.8 million in the fourth quarter of 2001 to $125.1 million compared to $127.9 million in the fourth quarter of 2000. This resulted from a $1.2 million decrease in KCSR expenses coupled with a $1.6 million decrease in expenses at certain other subsidiaries. At KCSR, quarter to quarter declines in salaries and wages ($3.0 million), fuel ($4.2 million), materials and supplies ($1.5 million) and purchased services ($1.3 million) were partially offset by increases in fringe benefits ($2.3 million) and casualties and insurance ($3.4 million). Lower costs for salaries and wages reflect the employee headcount reductions effected in March 2001 and operating efficiency at KCSR, while lower fuel costs reflect the reduction in the market price of fuel. Fringe benefits expense increased as a result of higher health care costs and casualties and insurance expense increased quarter to quarter primarily as a result of an increase in the personal injury reserves arising from the Company's annual actuarial study. The KCSR operating ratio for the fourth quarter of 2001 improved to 84.7% compared to 92.7% in the same 2000 period.

Equity earnings related to the Company's investment in Grupo TFM increased $2.2 million to $5.0 million in the fourth quarter of 2001 from $2.8 million in the fourth quarter of 2000. Grupo TFM revenues were $171.8 million in the fourth quarter of 2001, a 4% increase compared to the fourth quarter of 2000. Total costs and expenses at Grupo TFM increased 2% quarter to quarter, while operating profit increased 9% (computed under accounting principles generally accepted in the United States of America - "U.S. GAAP"). Under International Accounting Standards, TFM's operating ratio was 76.9% for the fourth quarter of 2001 compared to 78.6% for the fourth quarter of 2000. Additionally, Grupo TFM's fourth quarter 2001 results include a deferred tax benefit of $1.7 million (calculated under U.S. GAAP) compared to a deferred tax expense of $0.3 million for the fourth quarter of 2000. The favorable change in the deferred tax calculation of Grupo TFM is mostly attributable to fluctuations in the peso exchange rate and inflation in Mexico. The Company reports its equity in Grupo TFM under U.S. GAAP while Grupo TFM reports under International Accounting Standards.

Equity earnings from the Company's investment in Mexrail declined $0.1 million quarter to quarter, while equity earnings from Southern Capital improved by approximately $0.5 million. Additionally, the reconstruction of the rail line in Panama was completed in July 2001 and the operations of PCRC have commenced. During the fourth quarter of 2001, the Company recorded equity losses of approximately $0.6 million from its investment in PCRC relating mostly to costs associated with the start-up of the business.

KCSI's consolidated interest expense for the fourth quarter of 2001 decreased $1.7 million (15%) from the prior year quarter primarily as a result of lower interest rates on our variable rate debt.

YEAR TO DATE

KCSI's consolidated revenues totaled $577.3 million for the year ended December 31, 2001 compared to $572.2 million for the year ended December 31, 2000. This $5.1 million increase resulted from higher KCSR revenues of approximately $3.3 million partially coupled with higher revenues from certain other subsidiaries. Revenue growth in 2001 occurred primarily in coal (13%), automotive (72%), plastics (10%), military/other (49%), export grain (19%) and certain forest products. These revenue improvements were partially offset by overall declines in chemical and petroleum products (1%), agriculture and mineral products (6%), paper and forest products (2%) and intermodal revenues (10%) primarily as a result of lower production due to the weakness in the U.S. economy. Agriculture and mineral product revenues were affected by lower domestic grain shipments due a general decline in poultry production in the United States. This decline in poultry production in the United States resulted in decreased demand for grain deliveries to our customers during 2001.

KCSI's consolidated costs and expenses increased $7.5 million (1%) to $521.9 million for the year ended December 31, 2001 compared to $514.4 million for the year ended December 31, 2000 resulting from higher KCSR expenses of $2.3 million and higher expenses at certain other subsidiaries of $5.2 million. Costs at other subsidiaries in 2001 were higher primarily as a result of a $3.0 million reduction to the allowance for doubtful accounts recorded in 2000 at the KCSI Holding Company. Higher KCSR expenses were mostly attributable to a $5.0 million increase in car hire costs and a $6.6 million increase in casualties and insurance costs. These costs were partially offset by a $4.2 million decline in salaries, wages and fringe benefits expense, a $4.2 million decrease in fuel expense and a $3.0 million decline in materials and supplies expense. Contributing to the increase in car hire expense was a higher number of freight cars from other railroads on the Company's rail line coupled with a lower number of KCSR freight cars being used by other railroads. Also contributing to the increase in car hire expense was the larger number of auto rack cars being used to serve the increase in automotive traffic period to period. Casualty and insurance costs also rose primarily due to several significant first quarter 2001 derailments as well as increases made to the personal injury reserve arising from the Company's annual actuarial study. Salaries and wage expense declined period to period due mostly to employee headcount reductions in March 2001 and operating efficiencies. The decline in fuel expense resulted primarily from lower market prices per gallon. The KCSR operating ratio for 2001 was 88.2% compared to 88.3% for 2000.

Excluding the impact of the extraordinary item in 2000 discussed below, equity earnings from the Company's investment in Grupo TFM increased $6.9 million to $28.5 million for the year ended December 31, 2001 versus $21.6 million for the year ended December 31, 2000. During the first quarter of 2001, TFM recorded approximately $54 million of pre-tax income relating to the reversion of certain concession assets to the Mexican government. The Company's equity earnings for the year ended December 31, 2001 from Grupo TFM reflect our proportionate share of this income of approximately $9.1 million.

Grupo TFM's revenues increased 4% to $667.8 million for the year ended December 31, 2001 from $640.6 million for the year ended December 31, 2000. These higher revenues were offset by an approximate 7% increase in operating expenses (exclusive of the income related to the reversion of certain concession assets to the Mexican government) resulting in a period to period decline in ongoing operating income of approximately 5%. Under U.S. GAAP, the deferred tax expense for Grupo TFM was $10.9 million for the year ended December 31, 2001 compared to a deferred tax benefit of $13.2 million (excluding the impact of the extraordinary item) for the year ended December 31, 2000.

Equity earnings from the Company's investment in Mexrail declined $2.3 million period to period, while equity earnings from Southern Capital improved by approximately $1.0 million. Additionally, during 2001 the Company recorded equity losses of approximately $1.6 million from its investment in PCRC relating mostly to start-up costs.

Similar to the fourth quarter of 2001, the Company's interest expense for the year ended December 31, 2001 declined $13.0 million compared to the year ended December 31, 2000 due to lower borrowing rates.

Effective January 1, 2001 the Company implemented Statement of Financial Accounting Standard No. 133, Accounting for Derivative Instruments and Hedging Activities ("FAS 133"). As a result of this change in the method of accounting for derivative financial instruments, the Company recorded an after-tax charge to earnings of $0.4 million (1(cent) per diluted share) in the first quarter of 2001. This charge is presented as a cumulative effect of an accounting change in the accompanying consolidated condensed statements of income for the year ended December 31, 2001. During the first quarter of 2000, the Company completed a debt refinancing whereby it retired approximately $400 million of its debt securities prior to maturity. Also, during the third quarter of 2000, the Company refinanced $200 million of bank debt with a $200 million offering of 8-year senior unsecured notes. In connection with these debt-refinancing transactions, KCSI recorded extraordinary debt retirement costs of approximately $7.0 million (net of income taxes). Additionally, during the third quarter of 2000, Grupo TFM refinanced approximately $285 million of bank debt with a U.S. Commercial Paper program. KCSI recorded its proportionate share of extraordinary debt retirement costs of $1.7 million (net of income taxes) related to this refinancing by Grupo TFM. Total KCSI and Grupo TFM debt retirement related extraordinary charges for 2000 were $8.7 million (15(cent) per diluted share). These items are presented as extraordinary items in the accompanying consolidated condensed statements of income for the year ended December 31, 2000.

BUSINESS OUTLOOK

Michael R. Haverty, KCSI Chairman, President and Chief Executive Officer said, "in light of the current economic environment facing North America, we are encouraged by our operating results for the fourth quarter. Domestically, KCSR's fourth quarter revenues increased approximately 8% versus the fourth quarter of 2000. KCSR's cost structure has continued to benefit from cost reduction actions taken in March 2001 and the synergies of an efficient and well-operating railroad.

Grupo TFM continues to provide significant value as part of our NAFTA rail network. Revenues for Grupo TFM increased 4% for both the fourth quarter and year ended 2001 and our equity earnings increased 79% and 32% for the fourth quarter and year ended 2001, respectively. Through Grupo TFM, we and our partner, Grupo TMM, are continuing to pursue the purchase of the Mexican government's 24.6% ownership in Grupo TFM through a call option. This transaction has been delayed pending improved market conditions for Latin American companies and is expected to be complete as soon as market conditions become more favorable. We are excited about the prospects of increasing our ownership position in Grupo TFM, which is fast becoming one of the rail transportation leaders in North America.

It is regrettable that we had to bring legal actions challenging certain resolutions adopted by Grupo TFM, but these actions were necessary to safeguard our interests, as well as the interests of our shareholders, in the Company's investment in Grupo TFM. This matter is between KCSI and Grupo TMM and we continue to fully support Grupo TFM and its management team. I have met with Mr. Jose Serrano, Chairman and CEO of Grupo TMM, and we are working to try and resolve the issues without a protracted legal dispute. KCSI is, however, prepared to pursue the litigation to ensure its interests in Mexico are protected.

In 2002, our focus will be on protecting our revenue base in a down economy while continuing to provide quality service to our customers. We will also strive to further reduce our costs and our corporate debt structure. We expect KCSR coal revenues to decline in 2002 as a result of a contractual rate reduction at one of our coal customers, as well as the loss of certain business due to the expiration of a contract that is not expected to be renewed. We believe, however that this decline in coal revenues will be offset by higher revenues for KCSR's other commodity groups through new business and targeted rate increases. We believe our railroad franchise is well positioned to benefit from an economic recovery. KCSR is currently operating very efficiently and we believe our cost structure is well controlled. Given these factors, we believe that meaningful revenue growth arising from an economic recovery would result in improved profitability. We expect continued success with Grupo TFM and believe that PCRC will provide us with future earnings growth beginning in early 2003. Our commitment is to maximize the potential of our NAFTA rail network and build long-term shareholder value."

(Note: The operating results and related amounts included herein for the fourth quarter and year ended December 31, 2000 were derived from the Form 10-K/A for the year ended December 31, 2000. These amounts reflect certain adjustments made subsequent to our fourth quarter and year ended 2000 earnings press release.)

This press release includes statements concerning potential future events involving the Company, which could materially differ from the events that actually occur. The differences could be caused by a number of factors including those factors identified in KCSI's December 31, 2000 Form 10-K and the Current Report on Form 8-K dated December 11, 2001, each filed by the Company with the Securities and Exchange Commission ("SEC") (Commission file no. 1-4717). The Company will not update any forward-looking statements in this press release to reflect future events or developments.

(Financial Information Attached)

KANSAS CITY SOUTHERN INDUSTRIES, INC. and SUBSIDIARY COMPANIES
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(excludes Discontinued Operations(1))
(dollars in millions, except per share data)
(Unaudited)

	Three Months Ended December 31,		Year Ended December 31,	
	2001	2000	2001	2000
Revenues	$ 145.5	$ 134.8	$ 577.3	$ 572.2
Costs and expenses	110.7	114.2	463.9	458.3
Depreciation and amortization	14.4	13.7	58.0	56.1
Operating income	20.4	6.9	55.4	57.8
Equity in net earnings (losses) of unconsolidated affiliates:				
Grupo Transportacion Ferroviaria Mexicana, S.A. de C.V. (preliminary)	5.0	2.8	28.5	21.6
Other	(1.2)	(1.1)	(1.4)	2.2
Interest expense	(9.9)	(11.6)	(52.8)	(65.8)
Other, net	1.2	1.2	4.2	6.0
Income from continuing operations before income taxes, extraordinary items and cumulative effect of accounting change	15.5	(1.8)	33.9	21.8
Income tax provision (benefit)	4.4	(5.4)	2.8	(3.6)
Income from continuing operations before				

extraordinary items and cumulative effect of accounting change	11.1	3.6	31.1	25.4
Extraordinary items, net of income taxes:				
Debt retirement costs	-	-	-	(7.0)
Debt retirement costs - TFM	-	-	-	(1.7)
Cumulative effect of accounting change, net of income taxes	-	-	(0.4)	-
Income from continuing operations, net of extraordinary items and cumulative effect of accounting change	$ 11.1	$ 3.6	$ 30.7	$ 16.7
Per Share Data:				
Basic Weighted Average Common shares outstanding (in thousands)	59,035	58,132	58,598	56,650
Basic Earnings (Loss) per Common share from continuing operations	$ 0.19	$ 0.06	$ 0.53	$ 0.44
Extraordinary items	-	-	-	(0.15)
Cumulative effect of accounting change	-	-	(0.01)	-
Basic Earnings per Common share, net of extraordinary items and cumulative effect of accounting change	$ 0.19	$ 0.06	$ 0.52	$ 0.29
Diluted Weighted Average Common shares outstanding (in thousands)	61,099	59,839	60,984	58,390
Diluted Earnings (Loss) per Common share from continuing operations	$ 0.18	$ 0.06	$ 0.51	$ 0.43
Extraordinary items	-	-	-	(0.15)
Cumulative effect of accounting change	-	-	(0.01)	-
Diluted Earnings per Common share, net of extraordinary items and cumulative effect of accounting change	$ 0.18	$ 0.06	$ 0.50	$ 0.28

(1) - Stilwell Financial Inc., the Company's formerly owned financial services segment

KANSAS CITY SOUTHERN INDUSTRIES, INC. and SUBSIDIARY COMPANIES
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(includes Discontinued Operations (1))
(dollars in millions, except per share data)
(Unaudited)

	Three Months Ended December 31,	Year Ended Ended December 31,

	2001	2000	2001	2000
Revenues	$ 145.5	$ 134.8	$ 577.3	$ 572.2
Costs and expenses	110.7	114.2	463.9	458.3
Depreciation and amortization	14.4	13.7	58.0	56.1
Operating income	20.4	6.9	55.4	57.8
Equity in net earnings (losses) of unconsolidated affiliates:				
Grupo Transportacion Ferroviaria Mexicana, S.A. de C.V. (preliminary)	5.0	2.8	28.5	21.6
Other	(1.2)	(1.1)	(1.4)	2.2
Interest expense	(9.9)	(11.6)	(52.8)	(65.8)
Other, net	1.2	1.2	4.2	6.0
Income from continuing operations before income taxes, extraordinary items and cumulative effect of accounting change	15. 5	(1.8)	33.9	21.8
Income tax provision (benefit)	4.4	(5.4)	2.8	(3.6)
Income from continuing operations before extraordinary items and cumulative effect of accounting change	11.1	3.6	31.1	25.4
Income from discontinued operations (1) (net of income taxes)	-	-	-	363.8
Income before extraordinary items and cumulative effect of accounting change	11.1	3.6	31.1	389.2
Extraordinary items, net of income taxes:				
Debt retirement costs	-	-	-	(7.0)
Debt retirement costs - TFM	-	-	-	(1.7)
Cumulative effect of accounting change, net of income taxes	-	-	(0.4)	-
Net income	$ 11.1	$ 3.6	$ 30.7	$ 380.5
Per Share Data:				
Basic Weighted Average Common shares outstanding (in thousands)	59,035	58,132	58,598	56,650
Basic Earnings per Common share				
Continuing operations	$ 0.19	$ 0.06	$ 0.53	$ 0.44
Discontinued operations	-	-	-	6.42
Basic Earnings (Loss) per Common share before extraordinary items and cumulative effect of accounting change	0.19	0.06	0.53	6.86
Extraordinary items	-	-	-	(0.15)
Cumulative effect of accounting change	-	-	(0.01)	-
Basic Earnings per Common share	$ 0.19	$ 0.06	$ 0.52	$ 6.71
Diluted Weighted Average Common shares				

outstanding (in thousands)	61,099	59,839	60,984	58,390
Diluted Earnings per Common share				
Continuing operations	$ 0.18	$ 0.06	$ 0.51	$ 0.43
Discontinued operations	-	-	-	6.14
Diluted Earnings (Loss) per Common share before extraordinary items and cumulative effect of accounting change	0.18	0.06	0.51	6.57
Extraordinary items	-	-	-	(0.15)
Cumulative effect of accounting change	-	-	(0.01)	-
Diluted Earnings per Common share	0.18	0.06	0.50	6.42

(1) - Stilwell Financial Inc., the Company's formerly owned financial services segment

EXHIBIT 99.2
Kansas City Southern Railway*
Operating Statements
Dollars in Millions

	Fourth Quarter 2001	Fourth Quarter 2000	Twelve Months 2001	Twelve Months 2000
Revenues				
Freight Revenue	$ 87.0	$ 82.6	$ 340.3	$ 348.5
Intermodal and Automotive Revenue	15.1	15.7	66.0	62.1
Unit Coal Revenue	31.0	22.2	115.8	103.6
Haulage Revenue	3.4	3.5	13.0	12.6
Other Revenue	6.9	8.3	31.3	36.3
Total Revenues	143.4	132.3	566.4	563.1
Operating Expenses				
Salaries & Wages	32.6	35.6	133.7	139.3
Fringe Benefits	13.6	11.3	54.0	52.6
Fuel	8.6	12.8	43.9	48.1
Material and Supplies	5.4	6.9	27.5	30.5
Car Hire	4.1	3.7	19.8	14.8
Purchased Services	10.7	12.0	47.7	47.9
Casualties & Insurance	12.9	9.5	40.6	34.0
Other	2.7	2.9	10.3	9.0
Net Operating Expenses	90.6	94.7	377.5	376.2
Fixed Expenses				
Leases, Net	13.6	13.1	54.6	55.6
Depreciation	13.5	12.7	54.1	52.1
Taxes (Other Than Income)	3.7	2.1	13.2	13.2
Total Fixed Expenses	30.8	27.9	121.9	120.9

Total Expenses	121.4	122.6	499.4	497.1
Operating Income	$ 22.0	$ 9.7	$ 67.0	$ 66.0

* Includes the operations of the Gateway Western Railway Company. Effective October 1, 2001, Gateway Western was merged into the Kansas City Southern Railway.

Kansas City Southern Railway*
Carloadings By Commodity - Year Ended December 31, 2001
Dollars in Thousands

Carloadings Year to Date 2001	Carloadings Year to Date 2000	% Change		Revenue Year to Date 2001	Revenue Year to Date 2000	% Change
			Coal			
197,166	180,949	9.0%	Unit Coal	$115,825	$103,617	11.8%
5,167	3,216	60.7%	Other Coal	2,923	1,343	117.6%
202,333	184,165	9.9%	Total	118,748	104,960	13.1%
			Chemical & Petroleum Products			
6,704	9,135	(26.6)%	Agri Chemicals	5,304	6,422	(17.4)%
11,393	13,817	(17.5)%	Gases	10,420	12,468	(16.4)%
22,138	25,749	(14.0)%	Organic	22,554	24,345	(7.4)%
19,419	16,976	14.4%	Inorganic	20,544	19,684	4.4%
59,455	62,171	(4.4)%	Petroleum	38,037	38,239	(0.5)%
26,892	26,276	2.3%	Plastics	26,904	24,416	10.2%
146,001	154,124	(5.3)%	Total	123,763	125,574	(1.4)%
			Agriculture and Minerals			
47,408	49,201	(3.6)%	Domestic Grain	32,789	36,488	(10.1)%
13,309	11,060	20.3%	Export Grain	9,595	8,077	18.8%
26,347	29,458	(10.6)%	Food Products	21,879	23,537	(7.0)%
23,467	25,528	(8.1)%	Ores and Minerals	12,434	13,192	(5.7)%
15,145	16,721	(9.4)%	Stone, Clay & Glass	11,220	12,311	(8.9)%
125,676	131,968	(4.8)%	Total	87,917	93,605	(6.1)%
			Paper & Forest Products			
85,634	90,577	(5.5)%	Pulp/Paper	61,195	63,294	(3.3)%
6,960	7,181	(3.1)%	Scrap Paper	3,812	3,898	(2.2)%
36,184	33,675	7.5%	Pulpwood/Logchips	15,037	13,439	(2.2)%
26,268	28,291	(7.2)%	Lumber/Plywood	23,109	24,879	(7.1)%
19,857	25,100	(20.9)%	Metal/Scrap	15,315	18,847	(18.7)%

			Military/Other			
9,104	7,620	19.5%	Carloads	11,880	7,975	49.0%
184,007	192,444	(4.4)%	Total	130,348	132,332	(1.5)%
			Intermodal & Automotive			
34,684	21,655	60.2%	Automotive	21,488	12,467	72.4%
256,429	247,604	3.6%	Intermodal	44,488	49,621	(10.3)%
291,113	269,259	8.1%	Total	65,976	62,088	(10.3)%
949,130	931,960	1.8%	TOTAL FOR BUSINESS UNITS	526,752	518,559	1.6%
34,762	41,499	(16.2)%	Haulage	13,043	12,565	3.8%
(9,125)	(8,561)	6.6%	Adjustments	(4,609)	(4,369)	5.5%
974,767	964,898	1.0%	TOTAL	$535,186	$526,755	1.6%

* Includes the operations of Gateway Western Railway Company. Effective October 1, 2001, Gateway Western Railway was merged into the Kansas City Southern Railway.

Kansas City Southern Railway*
Carloadings By Commodity - Fourth Quarter 2001
Dollars in Thousands

Carloadings				Revenue		
Fourth Quarter		%		Fourth Quarter		%
2001	2000	Change		2001	2000	Change
			Coal			
52,899	39,451	34.1%	Unit Coal	$ 30,989	$ 22,211	39.5%
1,441	914	57.7%	Other Coal	803	477	68.3%
54,340	40,365	34.6%	Total	31,792	22,688	40.1%
			Chemical & Petroleum Products			
1,777	2,146	(17.2)%	Agri Chemicals	1,391	1,488	(6.5)%
2,989	3,301	(9.5)%	Gases	2,746	2,921	(6.0)%
5,359	6,052	(11.5)%	Organic	5,690	5,694	(0.1)%
4,825	4,043	19.3%	Inorganic	5,171	4,607	12.2%
13,573	14,599	(7.0)%	Petroleum	9,167	8,703	5.3%
6,886	6,466	6.5%	Plastics	6,647	6,417	3.6%
35,409	36,607	(3.3)%	Total	30,812	29,830	3.3%
			Agriculture and Minerals			
11,599	10,993	5.5%	Domestic Grain	8,220	8,742	(6.0)%
4,838	2,674	80.9%	Export Grain	4,000	2,165	84.8%

6,581	7,194	(8.5)%	Food Products	5,619	5,906	(4.9)%
5,516	5,510	0.1%	Ores and Minerals	2,864	3,136	(8.7)%
3,666	3,796	(3.4)%	Stone, Clay & Glass	2,738	2,800	(2.2)%
32,200	30,167	6.7%	Total	23,441	22,749	3.0%
			Paper & Forest Products			
22,386	21,603	3.6%	Pulp/Paper	16,530	15,227	8.6%
1,882	1,938	(2.9)%	Scrap Paper	1,072	1,052	1.9%
9,238	7,637	21.0%	Pulpwood/Logs/Chips	3,852	3,103	24.1%
6,301	6,603	(4.6)%	Lumber/Plywood	5,745	5,787	(0.7)%
3,571	5,581	(36.0)%	Metal/Scrap	2,654	4,288	(38.1)%
2,246	1,660	35.3%	Military/Other carloads	3,188	1,793	77.8%
45,624	45,022	1.3%	Total	33,041	31,250	5.7%
			Intermodal & Automotive			
6,042	6,668	(9.4)%	Automotive	3,745	3,696	1.3%
64,387	67,926	(5.2)%	Intermodal	11,351	12,004	(5.4)%
70,429	74,594	(5.6)%	Total	15,096	15,700	(3.8)%
238,002	226,755	5.0%	TOTAL FOR BUSINESS UNITS	134,182	122,217	9.8%
9,197	8,863	3.8%	Haulage	3,399	3,544	(4.1)%
(2,097)	(2,721)	(22.9)%	Adjustments	(1,130)	(1,704)	(33.7)%
245,102	232,897	5.2%	TOTAL	$136,451	$124,057	10.0%

* Includes the operations of Gateway Western Railway Company. Effective October 1, 2001, Gateway Western Railway was merged into the Kansas City Southern Railway.

Kansas City Southern Industries, Inc.
Consolidated Balance Sheets
Unaudited
(Dollars in Millions)

	December 31, 2001	December 31, 2000
Assets		
Cash	$ 24.7	$ 21.5
Accounts receivable	130.0	135.0
Inventories	27.9	34.0
Other current assets	44.2	25.9
Total current assets	226.8	216.4

Investments held for operating purposes	386.8	358.2
Properties, net of depreciation	1,327.4	1,327.8
Other assets	42.3	42.1
Total assets	$ 1,983.3	$ 1,944.5
Liabilities and Stockholders' Equity		
Current portion of long-term debt	$ 46.7	$ 36.2
Accounts payable	50.4	52.9
Accrued liabilities	132.8	159.9
Total current liabilities	229.9	249.0
Long-term debt	611.7	638.4
Deferred income taxes	370.2	332.2
Other	91.2	81.5
Stockholders' equity	680.3	643.4
Total liabilities and stockholders' equity	$ 1,983.3	$ 1,944.5

KANSAS CITY SOUTHERN INDUSTRIES, INC.
STATEMENT OF CASH FLOWS
YEAR TO DATE - DECEMBER 31, 2001
(in thousands)
(Unaudited)

CASH FLOWS PROVIDED BY (USED FOR):	
OPERATING ACTIVITIES:	
Net income	$30,739
Adjustments to net income:	
Depreciation and amortization	58,093
Deferred income taxes	31,660
Equity in undistributed earnings	(27,075)
Distributions from unconsolidated	3,000
Gain on Sale of Property	(5,774)
Gain on Sale of Investments	82
Tax Benefit Associated with Exercised Stock Options	5,583
Changes in working capital items:	
Accounts receivable	3,997
Inventories	6,182
Other current assets	7,998
Accounts payable	(5,097)
Accrued liabilities	(47,926)
Other, net	14,603
Net from operations	76,066
INVESTING ACTIVITIES:	
Property acquisitions	(66,001)
Proceeds from disposals of property	18,133
Investments in and Loans to affiliates	(8,168)
Proceeds from disposal of investments	634

Other, net	(306)
Net from investing	(55,707)
FINANCING ACTIVITIES:	
Proceeds from issuance of long-term debt	35,000
Repayment of long-term debt	(51,287)
Debt issue and recapitalization costs	(389)
Proceeds from stock plans	8,898
Cash dividends paid	(242)
Other, net	(9,155)
Net from financing	(17,175)
CASH AND EQUIVALENTS:	
Net increase	3,184
At beginning of year	21,536
At end of period	$24,720